

Interest on public issues held by the trust funds is received by the funds at the time the interest is paid on the particular issues held. Interest on special public-debt obligations issued specifically for purchase by the trust funds is payable semiannually or at redemption, if earlier.

Marketable public issues acquired by the funds may be sold at any time by the managing trustee at their market price. Special public-debt obligations issued for purchase by the trust funds may be redeemed at par plus accrued interest. Interest receipts and proceeds from the sale or redemption of obligations held in the trust funds are available for investment in the same manner as other receipts of the funds. Interest earned by the invested assets of the trust funds will provide income to meet a portion of future benefit disbursements. The role of interest in meeting future benefit payments is indicated in tables 20 and 21.

In addition to serving as a source of income, the assets of the trust funds assure the continued payment of benefits without sharp changes in contribution rates during periods of short-run adverse fluctuations in total income and expenditures.

SUMMARY OF THE OPERATIONS OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, FISCAL YEAR 1968

A statement of the income and disbursements of the Federal old-age and survivors insurance trust fund in the fiscal year which began on July 1, 1967, and ended on June 30, 1968, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 1.

The total assets of the old-age and survivors insurance trust fund amounted to \$23,515 million on June 30, 1967. These assets increased to \$25,533 million by the end of the fiscal year 1968, an increase of \$2,018 million.

TABLE 1.—STATEMENT OF OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING THE FISCAL YEAR 1968

Total assets of the trust fund, June 30, 1967.....		\$23, 515, 389, 108. 82
Receipts, fiscal year 1968:		
Contributions:		
Appropriations.....	\$20, 845, 614, 259. 36	
Deposits arising from State agreements.....	2, 035, 560, 918. 82	
Gross contributions.....	22, 881, 175, 178. 18	
Less payment into the Treasury for contributions subject to refund.....	218, 745, 000. 00	
Net contributions.....	\$22, 662, 430, 178. 18	
Reimbursement from general fund of the Treasury for costs of noncontributory credits for military service.....	78, 000, 000. 00	
Interest and profit:		
Interest and profit on investments.....	900, 937, 347. 47	
Less interest on net amounts of reimbursements for administrative expenses and construction transferred to—		
Disability insurance trust fund.....	261, 000. 00	
Hospital insurance trust fund.....	691, 000. 00	
Supplementary medical insurance trust fund.....	574, 000. 00	
Less interest on amounts transferred to disability insurance trust fund for reimbursement of cost of vocational rehabilitation services.....	14, 000. 00	
Net interest and profit.....	899, 397, 347. 47	
Total receipts.....	23, 639, 827, 525. 65	

TABLE 1.—STATEMENT OF OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING THE FISCAL YEAR 1968—Continued

Total assets of the trust fund, June 30, 1967—Continued	
Disbursements, fiscal year 1968:	
Benefit payments.....	\$20,737,092,726.19
Transfers to railroad retirement account.....	437,634,000.00
Reimbursement to disability insurance trust fund for cost of vocational rehabilitation services for disabled beneficiaries.....	265,000.00
Administrative expenses:	
Department of Health, Education, and Welfare.....	359,633,816.90
Treasury Department.....	54,024,165.93
Construction of facilities for Social Security Administration.....	3,353,929.57
Reimbursements due to adjustment in allocation of administrative expenses for fiscal year 1967, transferred to—	
Disability insurance trust fund.....	5,347,939.00
Hospital insurance trust fund.....	13,846,329.00
Supplementary medical insurance trust fund.....	11,464,911.00
Gross administrative expenses.....	447,671,091.40
Less receipts from sale of surplus supplies, materials, etc.....	98,782.41
Less reimbursement from disability insurance trust fund due to adjustment in allocation of costs of construction for fiscal year 1967.....	64,241.00
Less reimbursements for costs of construction for fiscal year 1967 from—	
Hospital insurance trust fund.....	92,905.00
Supplementary medical insurance trust fund.....	93,816.00
Net administrative expenses.....	447,321,346.99
Total disbursements.....	21,622,313,073.18
Net addition to the trust fund.....	\$2,017,514,452.47
Total assets of the trust fund, June 30, 1968.....	25,532,903,561.29

Net receipts of the trust fund during the fiscal year 1968 amounted to \$23,640 million. Of this total, \$20,846 million represented contributions appropriated to the fund and \$2,036 million represented amounts received by the Secretary of the Treasury in accordance with State agreements for coverage of State and local government employees and deposited in the trust fund. As an offset, \$219 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum earnings base. Net contributions amounted to \$22,662 million, representing an increase of 0.4 percent over the amount for the preceding fiscal year. This increase is the net result of (1) the high level of employment and taxable earnings, (2) the increase in the maximum annual amount of earnings taxable from \$6,600 to \$7,800 that became effective on January 1, 1968, and (3) the decrease, from 7.1 percent to 6.65 percent, in the combined employer-employee contribution rate allocated to finance benefits from the old-age and survivors insurance trust fund that also went into effect on January 1, 1968. (This decrease was exactly counterbalanced by increases in the contribution rate for hospital insurance from 1 percent to 1.2 percent and in the rate allocated for disability insurance from 0.70 percent to 0.95 percent.)

Reference has been made in earlier sections to provisions under which the old-age and survivors insurance and disability insurance trust funds are to be reimbursed annually from the general fund of the Treasury for costs of granting noncontributory credits for military service performed before 1957. In accordance with these provisions, the Secretary of Health, Education, and Welfare determined, in Septem-

ber 1965, that the annual amount due for the old-age and survivors insurance trust fund was \$87.4 million, and for the disability insurance trust fund, \$18.4 million. Annual reimbursements amounting to \$78 million for the old-age and survivors insurance trust fund and \$16 million for the disability insurance trust fund were received in July 1967.

The remaining \$899 million of receipts consisted of interest and profit on the investments of the fund, less interest on amounts transferred to the disability insurance, hospital insurance, and supplementary medical insurance trust funds.

Disbursements from the trust fund during the fiscal year 1968 totaled \$21,622 million. Of this total, \$20,737 million was for benefit payments, an increase of 10 percent over the corresponding amount paid in the fiscal year 1967. This increase was due primarily to the 1967 amendments that provided for a general increase in benefits effective for February 1968 and that also liberalized some of the conditions under which persons can qualify for benefits. Other factors that contributed to the increase in benefit payments from fiscal year 1967 to fiscal year 1968 were (1) the expected growth in the number of beneficiaries as the program gradually matures and (2) the amendments in March 1966 that provided monthly benefits, effective for October 1966, for certain noninsured persons aged 72 and over. (Fiscal year 1968 was the first full fiscal year during which this provision of the amendments in March 1966 was operative.)

Reference has been made in an earlier section to provisions of the Railroad Retirement Act which coordinate the railroad retirement program with old-age and survivors insurance. A description of the legislative provisions governing the financial interchanges arising from the allocation of costs between the two systems is contained in appendix II. In accordance with these provisions, the Railroad Retirement Board and the Secretary of Health, Education, and Welfare determined that a transfer of \$422,400,000 to the railroad retirement account from the old-age and survivors insurance trust fund would place this fund in the same position as of June 30, 1967, as it would have been if railroad employment had always been covered under the Social Security Act. This amount was transferred to the railroad retirement account in May 1968, together with interest to the date of transfer amounting to \$15,234,000.

Expenditures, in the form of reimbursement to the disability insurance trust fund, for the cost of vocational rehabilitation services amounted to \$265,000. These services were furnished to disabled adults—dependents of old-age beneficiaries and survivors of deceased insured workers—receiving benefits from the old-age and survivors insurance trust fund on the basis of disabilities that have continued since childhood. (Related administrative expenses of the Department of Health, Education, and Welfare, amounting to \$12,000, are included in the net administrative expenses of the trust fund.)

The remaining \$447 million of disbursements from the old-age and survivors insurance trust fund represents net administrative expenses. Net administrative expenses charged to both the old-age and survivors insurance trust fund and the disability insurance trust fund totaled \$560 million and represented 2.2 percent of contribution income and 2.5 percent of benefit payments during fiscal year 1968. Similar figures

for each of the last 5 years for the system as a whole, as well as for each trust fund separately, are shown in table 2.

In table 3, the experience with respect to actual amounts of contributions and benefit payments in fiscal year 1968 and trust fund assets at the end of the year is compared with the estimates for fiscal year 1968 which appeared in the 1968 Annual Report of the Board of Trustees. Reference was made in an earlier section to the appropriation of contributions to the trust funds on an estimated basis, with subsequent periodic adjustments to account for differences from the amounts of contributions actually payable on the basis of reported earnings. In interpreting the figures in table 3, it should be noted that the "actual" amount of contributions in fiscal year 1968 reflect the aforementioned type of adjustments to contributions for prior fiscal years. On the other hand, the "actual" amount of contributions in fiscal year 1968 does not reflect adjustments to contributions for fiscal year 1968 that were to be made after June 30, 1968. The estimates for each trust fund were quite close, relatively, to the actual experience.

TABLE 2.—RELATIONSHIP OF NET ADMINISTRATIVE EXPENSES OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM TO CONTRIBUTION INCOME AND BENEFIT PAYMENTS, BY TRUST FUND, FISCAL YEARS 1964-68

Fiscal year	Total administrative expenses as a percentage of—		Old-age and survivors insurance trust fund, administrative expenses as a percentage of—		Disability insurance trust fund, administrative expenses as a percentage of—	
	Total contribution income	Total benefit payments	Contribution income	Benefit payments	Contribution income	Benefit payments
1964.....	2.2	2.3	2.0	2.1	5.9	5.4
1965.....	2.2	2.2	1.9	1.9	6.7	5.5
1966.....	2.1	2.1	1.8	1.8	5.8	5.4
1967.....	1.8	2.2	1.6	1.9	4.4	5.3
1968.....	2.2	2.5	2.0	2.2	4.2	5.4

Note: In interpreting the figures in the above table, reference should be made to the applicable text in the current and earlier annual reports.

TABLE 3.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, FISCAL YEAR 1968

(Dollar amounts in millions)

	Actual amount	Estimated amount published in 1968 report	Estimate as percentage of actual
Old-age and survivors insurance trust fund:			
Net contributions.....	\$22,622	\$23,036	102
Benefit payments.....	20,737	20,742	100
Assets, end of year.....	25,533	25,870	101
Disability insurance trust fund:			
Net contributions.....	2,699	2,742	102
Benefit payments.....	2,088	2,118	101
Assets, end of year.....	2,585	2,592	100

Note: In interpreting the figures in the above table, reference should be made to the accompanying text.

The distribution of benefit payments in fiscal years 1967 and 1968, by type of beneficiary, is shown in table 4. Approximately 72 percent of the total benefit payments from the old-age and survivors insurance trust fund in the fiscal year 1968 was accounted for by monthly benefits to retired workers and their dependents and about 14 percent by

monthly benefits to aged survivors and disabled widows or widowers of deceased workers. Approximately 12 percent of the benefit payments represented monthly benefits on behalf of children of deceased workers and monthly benefits to mothers who had children of deceased workers in their care.

Benefit payments to noninsured persons aged 72 and over, which began in November 1966, amounted to \$318 million, or about 2 percent of total benefit payments from the trust fund. Reference has been made in an earlier section to the legislative provisions governing reimbursement from the general fund of the Treasury for the costs of such payments to persons who have fewer than three quarters of coverage. About 99 percent of the total amount of the payments made in fiscal year 1968 to noninsured persons aged 72 and over went to persons with fewer than three quarters of coverage.

TABLE 4.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE OF BENEFICIARY AND PAYMENT, FISCAL YEARS 1967 AND 1968

(Dollar amounts in millions)

	1967		1968	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$18,885.7	100	\$20,737.1	100
Monthly benefits.....	18,639.6	99	20,481.0	99
Retired workers and their dependents.....	13,770.8	73	14,889.4	72
Retired workers.....	12,108.2	64	13,116.7	63
Wives and husbands.....	1,447.5	8	1,539.2	7
Children.....	215.2	1	233.5	1
Survivors of deceased workers.....	4,669.0	25	5,273.2	25
Aged widows and widowers.....	2,428.1	13	2,795.7	13
Disabled widows and widowers ¹7	(?)
Parents.....	34.3	(?)	35.3	(?)
Children.....	1,789.4	9	2,000.6	10
Widowed mothers caring for child beneficiaries.....	417.2	2	441.0	2
Noninsured persons aged 72 and over ³	199.7	1	318.4	2
Lump-sum death payments.....	246.1	1	256.0	1

¹ Benefits were effective for months beginning February 1968 and disbursements from the trust fund were first made to these beneficiaries in March 1968.

² Less than 0.5 percent.

³ Benefits were effective for months beginning October 1966 and disbursements from the trust fund were first made to these beneficiaries in November 1966; the trust fund is reimbursed from the general fund of the Treasury for the costs of payments to beneficiaries with less than 3 quarters of coverage.

The balance of the benefits paid during fiscal year 1968 consisted of lump-sum death payments.

On June 30, 1968, about 24.1 million persons were receiving monthly benefits under the old-age, survivors, and disability insurance program. About 21.9 million of these persons were receiving monthly benefits from the old-age and survivors insurance trust fund. Average monthly family benefits on that date showed significant increases over the corresponding averages a year earlier, primarily because of the higher benefit rates provided by the 1967 amendments. This is illustrated, for selected beneficiary family groups, in table 5.

The assets of the old-age and survivors insurance trust fund at the end of fiscal year 1968 totaled \$25,533 million, consisting of \$23,234

million in the form of obligations of the U.S. Government or of federally-sponsored agency obligations, and \$2,298 million in undisbursed balances. Table 6 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1967 and 1968.

TABLE 5.—ESTIMATED AVERAGE MONTHLY BENEFITS FOR SELECTED FAMILY GROUPS RECEIVING BENEFITS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM, END OF FISCAL YEARS 1967 AND 1968

Beneficiary family group	Average monthly amount per family		Percentage increase in average monthly amount per family, 1968 from 1967
	June 30, 1967	June 30, 1968	
Retired worker alone (no dependents receiving benefits).....	\$81	\$94	16
Retired worker and wife, aged 62 and over, both receiving benefits ¹	144	166	16
Aged widow alone.....	75	86	16
Widowed mother and two children.....	222	254	14
Disabled worker alone (no dependents receiving benefits).....	96	110	15
Disabled worker, wife (under age 65 ²), and 1 or more children.....	213	245	15

¹ Excludes wife aged 62 to 64 with entitled children in her care.

² With entitled children in her care.

TABLE 6.—ASSETS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE, AT END OF FISCAL YEARS 1967 AND 1968

	June 30, 1967		June 30, 1968	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury notes:				
5½ percent, 1975.....			\$7,000,000	\$7,055,958.35
6 percent, 1975.....			17,450,000	17,450,000.00
Treasury bonds:				
2½ percent, 1964-69.....	\$55,180,000	\$53,817,954.12	55,180,000	54,434,560.56
2½ percent, 1967-72.....	250	250.00	250	250.00
2½ percent, investment series B, 1975-80.....	1,064,902,000	1,064,931,735.16	1,064,902,000	1,064,902,000.00
3 percent, 1995.....	70,170,000	70,141,756.60	70,170,000	70,142,780.56
3¼ percent, 1978-83.....	60,200,000	59,257,968.32	60,200,000	59,317,153.52
3¼ percent, 1985.....	25,700,000	24,149,621.87	25,700,000	24,236,558.99
3½ percent, 1980.....	449,450,000	455,266,024.47	449,450,000	454,829,822.67
3½ percent, 1990.....	556,250,000	546,667,347.66	556,250,000	547,091,671.86
3½ percent, 1998.....	552,037,000	542,364,241.72	552,037,000	542,672,946.88
3¾ percent, 1968.....	7,000,000	7,000,000.00		
3¾ percent, 1968.....	17,450,000	17,450,000.00		
3¾ percent, 1974.....	24,500,000	24,479,576.57	24,500,000	24,482,361.65
4 percent, 1969.....	62,500,000	62,489,372.69	62,500,000	62,494,096.01
4 percent, 1970.....	15,000,000	14,964,882.74	15,000,000	14,978,476.46
4 percent, 1971.....	100,000,000	100,743,021.97	100,000,000	100,561,057.45
4 percent, 1973.....	38,000,000	37,780,091.50	38,000,000	37,816,240.90
4 percent, 1980.....	153,100,000	153,038,800.84	153,100,000	153,043,664.44
4½ percent, 1974.....	61,934,000	61,894,064.39	61,934,000	61,900,130.63
4½ percent, 1989-94.....	91,300,000	90,488,930.22	91,300,000	90,519,156.42
4½ percent, 1974.....	6,352,000	6,364,056.96	6,352,000	6,362,292.48
4½ percent, 1975-85.....	78,023,000	77,648,798.51	78,023,000	77,669,781.83
4½ percent, 1987-92.....	33,000,000	35,137,730.65	33,000,000	35,031,287.61
Total investments in public issues.....	3,522,048,250	3,506,076,226.96	3,522,048,250	3,506,992,249.27
Obligations sold only to this fund (special issues):				
Certificates of indebtedness:				
4¾ percent, 1968.....	940,393,000	940,393,000.00		
Notes:				
4¾ percent, 1974.....	2,720,279,000	2,720,279,000.00	2,720,279,000	2,720,279,000.00
4¾ percent, 1968.....	139,618,000	139,618,000.00		
4¾ percent, 1969.....	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
4¾ percent, 1970.....	296,526,000	296,526,000.00	296,526,000	296,526,000.00
4¾ percent, 1971.....	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
5½ percent, 1975.....			2,460,795,000	2,460,795,000.00

See footnote at end of table, p. 16.

TABLE 6.—ASSETS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE, AT END OF FISCAL YEARS 1967 AND 1968—Continued

	June 30, 1967		June 30, 1968	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations—Continued				
Obligations sold only to this fund (special issues)—Continued				
Bonds:				
2½ percent, 1970	\$783,485,000	\$783,485,000.00	\$783,485,000	\$783,485,000.00
2½ percent, 1971	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½ percent, 1972	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½ percent, 1973	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½ percent, 1974	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½ percent, 1975	919,934,000	919,934,000.00	919,934,000	919,934,000.00
3¼ percent, 1975	160,077,000	160,077,000.00	160,077,000	160,077,000.00
3¼ percent, 1976	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
3¼ percent, 1977	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
3½ percent, 1978	658,444,000	658,444,000.00	658,444,000	658,444,000.00
4½ percent, 1978	421,567,000	421,567,000.00	421,567,000	421,567,000.00
4½ percent, 1979	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
4½ percent, 1980	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
Total obligations sold only to this fund (special issues)	17,840,433,000	17,840,433,000.00	19,221,217,000	19,221,217,000.00
Total investments in public-debt obligations	21,362,481,250	21,346,509,226.96	22,743,265,250	22,728,209,249.27
Investments in federally-sponsored agency obligations:				
Agency issues:				
Federal National Mortgage Association debentures:				
5½ percent, 1969	25,000,000	25,055,862.10	25,000,000	25,027,931.14
5¾ percent, 1970	-----	-----	20,000,000	19,969,999.99
5½ percent, 1968	10,000,000	9,996,354.20	10,000,000	9,999,479.24
6 percent, 1969	41,500,000	41,520,894.07	41,500,000	41,512,248.19
Federal intermediate credit bank debentures:				
5.15 percent, 1967	17,000,000	17,000,000.00	-----	-----
6.20 percent, 1967	10,000,000	10,000,000.00	-----	-----
Federal home loan bank bonds:				
5¾ percent, 1968	25,000,000	25,020,833.35	-----	-----
5 7/8 percent, 1967	18,000,000	17,996,250.00	-----	-----
6 percent, 1967	26,000,000	25,995,666.65	-----	-----
6¼ percent, 1967	30,000,000	30,003,750.00	-----	-----
Federal land bank bonds:				
5¾ percent, 1967	15,000,000	15,000,000.00	-----	-----
Participation certificates:				
Federal assets liquidation trust—Federal National Mortgage Association:				
5.10 percent, 1987	50,000,000	50,000,000.00	50,000,000	50,000,000.00
5.20 percent, 1982	100,000,000	100,000,000.00	100,000,000	100,000,000.00
5½ percent, 1972	50,000,000	50,000,000.00	50,000,000	50,000,000.00
Federal assets financing trust—Federal National Mortgage Association:				
6 percent, 1971	-----	-----	35,000,000	35,000,000.00
6.05 percent, 1988	-----	-----	65,000,000	64,761,328.15
6.40 percent, 1987	-----	-----	75,000,000	75,000,000.00
6.45 percent, 1988	-----	-----	35,000,000	35,000,000.00
Total investments in federally-sponsored agency obligations	417,500,000	417,589,610.37	506,500,000	506,270,986.71
Total investments	21,779,981,250	21,764,098,837.33	23,249,765,250	23,234,480,235.98
Undisbursed balances	-----	1,751,290,271.49	-----	2,298,423,325.31
Total assets	-----	23,515,389,108.82	-----	25,532,903,561.29

¹ Par value, plus unamortized premium, less discount outstanding.

The net increase in the par value of the investments owned by the fund during the fiscal year 1968 amounted to \$1,470 million. New securities at a total par value of \$27,625 million were acquired during the fiscal year through the investment of receipts, the reinvestment of

funds made available from the maturity or sale of securities, and the exchange of securities. The par value of securities redeemed or exchanged during the fiscal year was \$26,105 million. In addition, \$50 million of federally-sponsored agency securities were sold, providing additional income to the fund in the form of a profit amounting to about \$47,000. A summary of transactions for the fiscal year, by type of security, is presented in table 7.

The 1956 amendments provided that the public-debt obligations issued for purchase by the old-age and survivors insurance trust fund and the disability insurance trust fund shall have maturities fixed with due regard for the needs of the funds. Under this provision, the general practice has been to spread the maturity dates for the holdings of special issues as nearly as practicable in equal amounts over a 15-year period. Thus, on June 30, 1968, special issues held by the old-age and survivors insurance trust fund were distributed in equal amounts of \$1,080 million maturing in each of the years 1969-80 (table 6).

TABLE 7.—STATEMENT OF TRANSACTIONS IN PUBLIC-DEBT AND IN FEDERALLY-SPONSORED AGENCY SECURITIES FOR THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING THE FISCAL YEAR 1968

[All amounts represent par values]

	Acquisitions	Dispositions
Public-debt obligations:		
Public issues:		
Treasury notes:		
5½-percent, 1975	\$7,000,000	0
6-percent, 1975	17,450,000	0
Treasury bonds:		
3¾-percent, 1968	0	\$7,000,000
3½-percent, 1968	0	17,450,000
Total public issues	24,450,000	24,450,000
Obligations sold only to this fund (special issues):		
Certificates of indebtedness:		
4¾-percent, 1968	0	940,393,000
5-percent, 1968	2,905,550,000	2,905,550,000
5½-percent, 1968	2,970,071,000	2,970,071,000
5¼-percent, 1968	1,507,073,000	1,507,073,000
5¾-percent, 1968	4,886,878,000	4,886,878,000
5½-percent, 1968	12,589,879,000	12,589,879,000
Notes:		
4½-percent, 1968	0	139,618,000
5¾-percent, 1975	2,460,795,000	0
Total obligations sold only to this fund (special issues)	27,320,246,000	25,939,462,000
Total public-debt obligations	27,344,696,000	25,963,912,000
Federally-sponsored agency obligations:		
Agency securities:		
Federal intermediate credit bank debentures:		
5.15 percent, 1967	0	17,000,000
6.20 percent, 1967	0	10,000,000
Federal home loan bank bonds:		
5½ percent, 1968	0	25,000,000
5½ percent, 1967	0	18,000,000
6 percent, 1967	0	26,000,000
6¼ percent, 1967	0	30,000,000
6.30 percent, 1969	50,000,000	50,000,000
Federal National Mortgage Association debentures:		
5¾ percent, 1970	20,000,000	0
Federal Land Bank Bonds:		
5½ percent, 1967	0	15,000,000
Participation certificates:		
Federal Assets Financing Trust-Federal National Mortgage Association:		
6 percent, 1971	35,000,000	0
6.05 percent, 1988	65,000,000	0
6.40 percent, 1987	75,000,000	0
6.45 percent, 1988	35,000,000	0
Total federally-sponsored agency obligations	280,000,000	191,000,000
Total transactions	27,624,696,000	26,154,912,000

In addition, \$1,080 million was invested in 5-year notes bearing $4\frac{7}{8}$ percent interest and maturing on June 30, 1971, \$2,720 million was invested in 7-year notes bearing $4\frac{3}{4}$ percent interest and maturing on June 30, 1974, and \$2,461 million was invested in 7-year notes bearing $5\frac{5}{8}$ percent interest and maturing on June 30, 1975. (Similarly, with respect to assets of the disability insurance trust fund at the end of fiscal year 1968, about \$7 million was invested in $4\frac{7}{8}$ percent 5-year notes maturing on June 30, 1971, \$309 million was invested in $4\frac{3}{4}$ percent 7-year notes maturing on June 30, 1974, and \$584 million was invested in $5\frac{5}{8}$ percent 7-year notes maturing on June 30, 1975.)

The circumstances under which the 7-year notes maturing on June 30, 1975, were acquired are similar to those under which the 5-year notes maturing on June 30, 1971, and the 7-year notes maturing on June 30, 1974, were acquired. Briefly, the interest rate on special issues, as determined under section 201(d) of the Social Security Act, was $5\frac{5}{8}$ percent, while the interest rate on long-term issues is limited to $4\frac{1}{4}$ percent. Therefore, the established pattern of spreading the maturities equally over a 15-year period could not be followed, and the entire available amount was invested in $5\frac{5}{8}$ percent 7-year notes, the longest-term issue possible at the prescribed interest rate. A fuller description of these investment operations is contained in the 1968 annual report.

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1968

A statement of the income and disbursements of the Federal disability insurance trust fund during fiscal year 1968 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 8.

The total assets of the disability insurance trust fund amounted to \$2,022 million on June 30, 1967. By the end of fiscal year 1968 the assets amounted to \$2,585 million, an increase of \$564 million.

Net receipts of the fund amounted to \$2,800 million. Of this total, \$2,518 million represented contributions appropriated to the fund, and \$203 million represented amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$22 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum earnings base. Net contributions amounted to \$2,699 million, representing an increase of 20 percent over the amount for the preceding fiscal year.

TABLE 8.—STATEMENT OF OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING THE FISCAL YEAR 1968

Total assets of the trust fund, June 30, 1967.....		\$2,021,605,749.25
Receipts, fiscal year 1968:		
Contributions:		
Appropriations.....	\$2,518,294,596.38	
Deposits arising from State agreements.....	202,993,712.95	
Gross contributions.....	2,721,288,309.33	
Less payment into the Treasury for contributions subject to refund.....	21,920,000.00	
Net contributions.....	2,699,368,309.33	
Reimbursement from general fund of the Treasury for costs of non-contributory credits for military service.....	16,000,000.00	
Interest and profit:		
Interest and profit on investments.....	84,637,763.03	
Interest on amounts transferred from old-age and survivors insurance trust fund for—		
Net reimbursement for administrative expenses and construction.....	261,000.00	
Reimbursement of cost of vocational rehabilitation services.....	14,000.00	
Total, interest and profit.....	84,912,763.03	
Total, receipts.....	2,800,281,072.36	
Disbursements, fiscal year 1968:		
Benefit payments.....	2,088,351,892.72	
Transfers to railroad retirement account.....	20,410,000.00	
Payment for cost of vocational rehabilitation services for disabled beneficiaries:		
Gross payment.....	15,669,908.95	
Less reimbursement from old-age and survivors insurance trust fund.....	265,000.00	
Net payment.....	15,404,908.95	
Administrative expenses:		
Department of Health, Education, and Welfare.....	109,994,439.32	
Treasury Department.....	6,045,557.65	
Expenses of the Department of Health, Education, and Welfare for administration of vocational rehabilitation program for disabled beneficiaries.....	336,000.00	
Construction of facilities for Social Security Administration.....	1,263,090.00	
Reimbursement to old-age and survivors insurance trust fund due to adjustment in allocation of costs of construction for fiscal year 1967.....	64,241.00	
Gross administrative expenses.....	117,703,327.97	
Less receipts from sale of surplus supplies, materials, etc.....	31,436.52	
Less reimbursement from old-age and survivors insurance trust fund due to adjustment in allocation of administrative expenses for fiscal year 1967.....	5,347,939.00	
Net administrative expenses.....	112,323,952.45	
Total disbursements.....	2,236,490,754.12	
Net addition to the trust fund.....		563,790,318.24
Total assets of the trust fund, June 30, 1968.....		2,585,396,067.49

This increase is accounted for, in part, by the same factors, insofar as they apply to contributions of the disability insurance trust fund, that contributed to the increase in tax receipts of the old-age and survivors insurance trust fund and in part by the provision in the 1967 amendments that increased the portion of the contribution rate allocated to finance benefits from the disability insurance trust fund. Effective January 1, 1968, the allocated rate for employees and employers was increased from 0.35 percent of taxable earnings, each, to 0.475 percent each. For the self-employed, the allocated rate was increased from 0.525 percent to 0.7125 percent.

In addition, the trust fund received \$16 million in July 1967 from the general fund of the Treasury, as reimbursement for the costs of noncontributory credits for military service.

The remaining \$85 million of receipts consisted of interest and profit on the investments of the fund and interest on amounts transferred from the old-age and survivors insurance trust fund.

Disbursements from the fund during the fiscal year 1968 totaled \$2,236 million. Of this total, \$2,088 million was for benefit payments, an increase of 12 percent over the corresponding amount paid in the fiscal year 1967. This increase is accounted for by the same factors, insofar as they apply to disabled-worker beneficiaries and their dependents, that resulted in the increase in benefit payments from the old-age and survivors insurance trust fund (described in the preceding section).

Provisions governing the financial interchanges between the railroad retirement account and the disability insurance trust fund are similar to those described in the preceding section relating to the old-age and survivors insurance trust fund. The determination made as of June 30, 1967, required that a transfer of \$19,700,000 be made from the disability insurance trust fund to the railroad retirement account. This amount was transferred to the railroad retirement account in May 1968, together with interest to the date of transfer amounting to \$710,000.

The remaining disbursements amounted to \$112 million for net administrative expenses and \$15 million for the net cost of vocational rehabilitation services furnished to disabled-worker beneficiaries and to those dependents of disabled workers who are receiving benefits on the basis of disabilities that have continued since childhood.

Section 222(d) of the Social Security Act provides that the total amount of funds that may be made available for payment for the costs of vocational rehabilitation services, including applicable administrative expenses of State agencies, in a fiscal year may not exceed 1 percent of the benefits certified for payment in the preceding year from the old-age and survivors insurance trust fund and the disability insurance trust fund to disabled persons receiving benefits because of their disability. The following table shows the relationship between the total amount made available in each fiscal year, 1966-68, for payment for the costs of such rehabilitation services and the corresponding amount of benefits paid in the prior fiscal year from the trust funds to disabled beneficiaries (amounts in thousands) :

Fiscal year	Estimated amount of benefit payments in preceding fiscal year to disabled beneficiaries	Payment for costs of rehabilitation services ¹	
		Total	As percent of preceding year's benefit payments
1966.....	\$1,220,300	\$473	0.04
1967.....	1,483,700	10,056	.68
1968.....	1,600,700	16,000	1.00

¹ Expenditures from the trust funds for payment for costs of rehabilitation services for disabled beneficiaries were first authorized under the 1965 amendments and began in fiscal year 1966. The amounts shown represent the expenditures for the fiscal year and differ from amounts shown in accounting statements of the trust funds on a cash basis.

At the end of fiscal year 1968, some 2,258,000 persons were receiving monthly benefits from the disability insurance trust fund. The distribution of benefit payments in fiscal years 1967 and 1968, by type of benefit, is shown in table 9.

The assets of this fund at the end of fiscal year 1968 totaled \$2,585 million, consisting of \$2,350 million in the form of obligations of the U.S. Government or of federally-sponsored agency obligations and \$236 million in undisbursed balances. Table 10 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1967 and 1968.

The net increase in the par value of the investments owned by the fund during the fiscal year amounted to \$517 million. New securities at a total par value of \$3,677 million were acquired during the fiscal year through the investment of receipts of the fund, the reinvestment of funds made available from the maturity or sale of securities, and the exchange of securities. The par value of securities redeemed or exchanged during the year was \$3,150 million. In addition, \$10 million of federally-sponsored agency securities were sold, providing additional income to the fund in the form of a profit amounting to about \$13,000. A summary of transactions for the fiscal year, by type of security, is presented in table 11.

Table 9.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE DISABILITY INSURANCE TRUST FUND, BY TYPE OF BENEFICIARY, FISCAL YEARS 1967 AND 1968

[Dollar amounts in millions]

	1967		1968	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$1,860.8	100	\$2,088.4	100
Disabled workers.....	1,456.3	78	1,636.6	78
Wives and husbands.....	111.3	6	121.3	6
Children.....	293.1	16	330.5	16

TABLE 10.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT END OF FISCAL YEARS 1967 AND 1968

	June 30, 1967		June 30, 1968	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury notes:				
5½-percent, 1975.....			\$10,000,000	\$10,091,234.87
6-percent, 1975.....			3,750,000	3,750,000.00
Treasury bonds:				
3½-percent, 1990.....	\$10,500,000	\$9,875,175.50	10,500,000	9,902,843.06
3½-percent, 1998.....	5,000,000	4,673,913.80	5,000,000	4,684,320.80
3½-percent, 1968.....	5,000,000	5,000,000.00		
3½-percent, 1968.....	8,750,000	8,738,749.78		
3½-percent, 1974.....	5,000,000	5,000,000.00	5,000,000	5,000,000.00
4-percent, 1969.....	26,000,000	25,992,095.11	26,000,000	25,995,608.47
4-percent, 1970.....	24,000,000	23,922,454.13	24,000,000	23,949,276.29
4-percent, 1972.....	4,000,000	3,975,717.48	4,000,000	3,980,773.80
4-percent, 1973.....	16,500,000	16,354,650.24	16,500,000	16,378,543.32
4-percent, 1980.....	30,250,000	30,239,505.29	30,250,000	30,240,339.17
4½-percent, 1974.....	10,000,000	10,018,119.20	10,000,000	10,015,366.88
4½-percent, 1989-94.....	68,400,000	67,506,264.96	68,400,000	67,539,571.80
4½-percent, 1975-85.....	20,795,000	20,774,442.46	20,795,000	20,775,185.74
4½-percent, 1987-92.....	80,800,000	80,981,302.92	80,800,000	80,972,275.47
Total, investments in public issues.....	314,995,000	313,052,390.87	314,995,000	313,275,339.67

See footnote at end of table, p. 22.

TABLE 10.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT END OF FISCAL YEARS 1967 AND 1968—Continued

	June 30, 1967		June 30, 1968	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations—				
Continued				
Obligations sold only to this fund (special issues):				
Notes:				
4¾-percent, 1974	309,178,000	309,178,000.00	309,178,000	309,178,000.00
4½-percent, 1971	74,895,000	74,895,000.00	7,138,000	7,138,000.00
5½-percent, 1975			583,612,000	583,612,000.00
Bonds:				
2½-percent, 1974	77,006,000	77,006,000.00	77,006,000	77,006,000.00
2½-percent, 1975	132,894,000	132,894,000.00	132,894,000	132,894,000.00
3½-percent, 1974	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3½-percent, 1975	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3½-percent, 1976	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3½-percent, 1977	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3½-percent, 1978	153,632,000	153,632,000.00	153,632,000	153,632,000.00
4½-percent, 1979	153,632,000	153,632,000.00	153,632,000	153,632,000.00
4½-percent, 1980	125,606,000	125,606,000.00	125,606,000	125,606,000.00
Total obligations sold only to this fund (special issues).....	1,375,583,000	1,375,583,000.00	1,891,438,000	1,891,438,000.00
Total, investments in public-debt obligations.....	1,690,578,000	1,688,635,390.87	2,206,433,000	2,204,713,339.67
Investments in federally-sponsored agency obligations:				
Agency securities:				
Federal National Mortgage Association debentures:				
5¼-percent, 1970			20,000,000	19,969,999.99
5½-percent, 1968	10,000,000	9,996,354.20	10,000,000	9,999,479.24
Federal Home Loan Bank bonds:				
5½-percent, 1967	18,000,000	17,996,250.00		
6-percent, 1967	26,000,000	25,995,666.65		
6¼-percent, 1967	30,000,000	30,003,750.00		
Federal Intermediate Credit Bank debentures: 6.20-percent, 1967	10,000,000	10,000,000.00		
Participation certificates:				
Federal Assets Liquidation Trust—				
Federal National Mortgage Association: 5½-percent, 1972				
	50,000,000	50,000,000.00	50,000,000	50,000,000.00
Federal Assets Financing Trust—				
Federal National Mortgage Association:				
6.30 percent, 1971			15,000,000	15,000,000.00
6.35 percent, 1970			50,000,000	50,000,000.00
Total, investments in federally-sponsored agency obligations.....	144,000,000	143,992,020.85	145,000,000	144,969,479.23
Total investments.....	1,834,578,000	1,832,627,411.72	2,351,433,000	2,349,682,818.90
Undisbursed balances.....		188,978,337.53		235,713,248.59
Total assets.....		2,021,605,749.25		2,585,396,067.49

¹ Par value, plus unamortized premium, less discount outstanding.

TABLE 11.—STATEMENT OF TRANSACTIONS IN PUBLIC-DEBT AND IN FEDERALLY-SPONSORED AGENCY SECURITIES
FOR THE DISABILITY INSURANCE TRUST FUND DURING THE FISCAL YEAR 1968

[All amounts represent par values]

	Acquisitions	Dispositions
Public-debt obligations:		
Public issues:		
Treasury notes:		
5½-percent, 1975.....	\$10,000,000	0
6-percent, 1975.....	3,750,000	0
Treasury bonds:		
¾-percent, 1968.....	0	\$5,000,000
¾-percent, 1968.....	0	8,750,000
Total public issues.....	13,750,000	13,750,000
Obligations sold only to this fund (special issues):		
Certificates of indebtedness:		
5-percent, 1968.....	239,185,000	239,185,000
5½-percent, 1968.....	388,736,000	388,736,000
5¼-percent, 1968.....	197,724,000	197,724,000
5½-percent, 1968.....	630,414,000	630,414,000
5¼-percent, 1968.....	1,539,062,000	1,539,062,000
Notes:		
4½-percent, 1971.....	0	67,757,000
5½-percent, 1975.....	583,612,000	0
Total obligations sold only to this fund (special issues).....	3,578,733,000	3,062,878,000
Total public-debt obligations.....	3,592,483,000	3,076,628,000
Federally-sponsored agency obligations:		
Agency securities:		
Federal National Mortgage Association debentures:		
5½-percent, 1970.....	20,000,000	0
Federal home loan bank bonds:		
5½-percent, 1967.....	0	18,000,000
6-percent, 1967.....	0	28,000,000
6¼-percent, 1967.....	0	30,000,000
Federal intermediate credit bank debentures:		
6.20-percent, 1967.....	0	10,000,000
Participation certificates:		
Federal assets financing trust—Federal National Mortgage Association:		
6.30-percent, 1971.....	15,000,000	0
6.35-percent, 1970.....	50,000,000	0
Total federally-sponsored agency obligations.....	85,000,000	84,000,000
Total transactions.....	3,677,483,000	3,160,628,000

**EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE
PERIOD JULY 1, 1968 TO DECEMBER 31, 1973**

In the following statement of the expected operations and status of the trust funds during the period July 1, 1968 to December 31, 1973, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program remain unchanged throughout the period. The income and disbursements of the program, however, are affected by general economic conditions as well as by legislative provisions. Because it is difficult to foresee economic developments, the assumptions and the resulting estimates here presented are subject to some uncertainty. This statement of the expected operations of the trust funds should therefore be read with full recognition of the difficulties of estimating future trust fund income and disbursements under changing economic conditions.